



April 11, 2014

Ms. Sheryl Montgomery, Administrative Services Manager
City of Anaheim
201 South Anaheim Boulevard, Suite 1003
Anaheim, CA 92805

Dear Ms. Montgomery:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Anaheim Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 14-15A) to the California Department of Finance (Finance) on February 27, 2014 for the period of July through December 2014. Finance has completed its review of your ROPS 14-15A, which may have included obtaining clarification for various items.

HSC section 34171 (d) defines enforceable obligations. Based on a sample of line items reviewed and application of the law, the following do not qualify as enforceable obligations for the reasons specified:

- Item Nos. 51 and 53 – Debt service reserves totaling \$2,430,000 for payments due January through June 2015. HSC section 34171 (d) (1) (A) allows successor agencies to hold a reserve for debt service payments when the next property tax allocation will be insufficient to pay all obligations due under the provisions of the bond for the next payment due in the following half of the *calendar* year. Therefore, the request to fund payments due for the first half of the calendar year is not allowed.
- Item No. 65 – Plaza Redevelopment Project in the amount of \$5,700,930. The Agency provided an Owner Participation Agreement (OPA) between the former Anaheim Redevelopment Agency and the California State Teachers' Retirement System; however, it is unclear from the OPA what payment obligation the Agency has to Kimco Realty Corporation. To the extent the Agency can provide suitable documentation to support the amount claimed, the Agency may be able to obtain Redevelopment Property Tax Trust Fund (RPTTF) funding on a future ROPS.
- Item Nos. 78, 89, 90, 100, and 147 – Various obligations totaling \$12,931,810. Finance requested supporting documentation to support the amounts claimed. However, to date, the Agency has been unable to provide any documentation to support the amounts claimed. To the extent the Agency can provide suitable documentation, such as executed contracts or vendor invoices, to support the requested funding, the Agency may be able to obtain RPTTF funding on future ROPS.

- Item Nos. 110 through 113 – Hermosa Phase IV obligations totaling \$1,684,000 are not obligations of the Agency. It is our understanding the agreement entered into on July 27, 2007 is between Anaheim Revitalization IV Partners and the Anaheim Housing Authority; the former redevelopment agency is not a party to the contract. Therefore, these line items are not enforceable obligations and are not eligible for RPTTF funding.
- Item Nos. 140, 145, and 146 – Cooperation and Loan Agreements totaling \$12,020,429; \$884,429 from RPTTF and \$11,136,000 from Other Funds. According to the Agency, these line items represent loans to be approved by Finance and loans already made. Finance requested clarification from the Agency, however, to date, the Agency has been unable to provide additional clarification or documentation to support the amounts claimed. To the extent the Agency can provide suitable documentation, such as executed agreements, contracts or vendor invoices, the Agency may be able to obtain RPTTF and Other Funds on future ROPS.
- Item No. 141 – Street and Right-Of-Way Improvements in the amount of \$2,735,431. The Agency provided insufficient documentation to support the amount claimed; the Scope of Services & Fee Proposal prepared by Fuscoe Engineering identified a total cost of \$92,000. To the extent the Agency can provide suitable documentation, such as an amended Proposal, or vendor invoices, to support the full amount requested, the Agency may be able to obtain an additional \$908,000 on future ROPS. Therefore, the excess, \$908,000 (\$1,000,000-\$92,000) is not eligible for Bond Proceeds funding on this ROPS.
- Item No. 143 – Ongoing Pension Obligation in the amount of \$1,074,033. The Agency provided insufficient documentation to support the amount claimed; the Estimate of Redevelopment Agency Obligations for Post-Employment Benefits prepared by the California Public Employees Retirement System identifies a total cost of \$887,072. To the extent the Agency can provide suitable documentation, such as an amended estimate, to support the full amount requested, the Agency may be able to obtain an additional \$186,961 on future ROPS. Therefore, the excess \$186,961 (\$1,074,033-\$887,072) is not eligible for RPTTF funding on this ROPS.
- Item No. 148 – Administrative Cost Allowance to Housing Successor. Pursuant to HSC section 34177 (p), the housing entity administrative cost allowance is applicable only in cases where the city, county, or city and county that authorized the creation of the RDA elected to not assume the housing functions. Because the housing entity to the former RDA of the City of Anaheim (City) is the City-formed Housing Authority (Authority) and the Authority operates under the control of the City, the Authority is considered as the City under Dissolution Law. Therefore, \$276,797 of housing entity administrative allowance is not allowed.
- The Agency's claimed administrative costs exceed the allowance by \$245,077. HSC section 34171 (b) limits the fiscal year 2014-2015 administrative expenses to three percent of property tax allocated to the Agency or \$250,000, whichever is greater. Although \$610,708 is claimed for administrative cost, only \$365,631 is available pursuant to the cap. Therefore, \$245,077 of excess administrative cost is not allowed.

During our review, Finance determined the Agency possesses funds that should be used prior to requesting RPTTF. Pursuant to HSC section 34177 (l) (1) (E), RPTTF may be used as a

funding source, but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation. Due to the denial of Item Nos. 140 and 145, \$999,290 in Other Funds is now available to be applied to enforceable obligations for funding.

The funding for the following item has been reclassified in the amount specified below:

- Item No. 50 – Tax Allocation Refunding Bonds in the amount of \$5,329,450. The Agency requests \$5,329,450 from RPTTF; however Finance is reclassifying \$999,290 to Other Funds. This item is an enforceable obligation for the ROPS 14-15B period. However, the obligation does not require payment from property tax revenues and the Agency has \$999,020 in available Other Funds. Therefore, Finance is approving RPTTF in the amount of \$4,330,160 and the use of Other Funds in the amount of \$999,290, totaling \$5,329,450.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 14-15A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2013 period. HSC section 34186 (a) also specifies prior period adjustments self-reported by successor agencies are subject to audit by the county auditor-controller (CAC) and the State Controller. The amount of RPTTF approved in the table below includes the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment.

Except for the items denied in whole or in part as enforceable obligations or for the item that have been reclassified, Finance is not objecting to the remaining items listed on your ROPS 14-15A. If you disagree with the determination with respect to any items on your ROPS 14-15A, you may request a Meet and Confer within five business days of the date of this letter. The Meet and Confer process and guidelines are available at Finance's website below:

http://www.dof.ca.gov/redevelopment/meet_and_confer/

The Agency's maximum approved RPTTF distribution for the reporting period is \$3,236,829 as summarized below:

Approved RPTTF Distribution	
For the period of July through December 2014	
Total RPTTF requested for non-administrative obligations	20,356,917
Total RPTTF requested for administrative obligations	610,708
Total RPTTF requested for obligations	\$ 20,967,625
Total RPTTF requested for non-administrative obligations	20,356,917
Denied Items	
Item No. 51	(2,205,000)
Item No. 53	(225,000)
Item No. 65	(596,820)
Item No. 78	(355,200)
Item No. 89	(400,000)
Item No. 90	(500,000)
Item No. 100	(500,000)
Item No. 110	(1,129,000)
Item No. 111	(120,000)
Item No. 112	(30,000)
Item No. 113	(10,000)
Item No. 143	(186,961)
Item No. 146	(884,429)
Item No. 147	(750,000)
Item No. 148	(276,797)
	(8,169,207)
Total RPTTF funding for non-administrative obligations	12,187,710
Cash Balances - Item reclassified to other funding sources	
Item No. 50	(999,290)
	(999,290)
Total RPTTF authorized for non-administrative obligations	\$ 11,188,420
Total RPTTF requested for administrative obligations	610,708
Administrative costs in excess of the cap (see Admin Cost Cap table below)	(245,077)
Total RPTTF authorized for administrative obligations	\$ 365,631
Total RPTTF authorized for obligations	\$ 11,554,051
ROPS 13-14A prior period adjustment	(8,317,222)
Total RPTTF approved for distribution	\$ 3,236,829
Administrative Cost Cap Calculation	
Total RPTTF authorized for non-administrative obligations (prior to reclassifications)	12,187,710
Percent allowed pursuant to HSC section 34171 (b)	3%
Total RPTTF allowable for administrative obligations	365,631
Total RPTTF administrative obligations after Finance adjustments	610,708
Administrative costs in excess of the cap	\$ (245,077)

Pursuant to HSC section 34177 (l) (1) (E), agencies are required to use all available funding sources prior to RPTTF for payment of enforceable obligations. During the ROPS 14-15A review, Finance requested financial records to support the fund balances reported by the Agency; however, Finance was unable to reconcile the financial records to the amounts reported. As a result, Finance will continue to work with the Agency after the ROPS 14-15A review period to properly identify the Agency's fund balances. If it is determined the Agency possesses fund balances that are available to pay approved obligations, the Agency should request the use of these fund balances prior to requesting RPTTF in ROPS 14-15B.

Please refer to the ROPS 14-15A schedule that was used to calculate the approved RPTTF amount:

<http://www.dof.ca.gov/redevelopment/ROPS>

Absent a Meet and Confer this is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2014. This determination only applies to items where funding was requested for the six-month period. Finance's determination is effective for this time period only and should not be conclusively relied upon for future periods. All items listed on a future ROPS are subject to a subsequent review and may be denied even if it was or was not denied on this ROPS or a preceding ROPS. The only exception is for those items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). Finance's review of items that have received a Final and Conclusive determination is limited to confirming the scheduled payments as required by the obligation.

The amount available from the RPTTF is the same as the amount of property tax increment that was available prior to enactment of ABx1 26 and AB 1484. This amount is not and never was an unlimited funding source. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax is limited to the amount of funding available to the successor agency in the RPTTF.

To the extent proceeds from bonds issued after December 31, 2010 exist and are not encumbered by an enforceable obligation pursuant to HSC section 34171 (d), HSC section 34191.4 (c) (2) (B) requires these proceeds be used to defease the bonds or to purchase those same outstanding bonds on the open market for cancellation.

Please direct inquiries to Nichelle Thomas, Supervisor or Alexander Watt, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Assistant Program Budget Manager

cc: Mr. Brad Hobson, Deputy Director, City of Anaheim
Mr. Frank Davies, Property Tax Manager, Orange County
California State Controller's Office